

# North County Transit District

Oceanside, California

*Single Audit Reports*

*For the year ended June 30, 2009*

**C&L**  
Caporicci & Larson  
Certified Public Accountants

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**North County Transit District**  
**Single Audit Report**  
**For the year ended June 30, 2009**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
of the North County Transit District  
Oceanside, California

We have audited the basic financial statements of the North County Transit District (NCTD) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered NCTD's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCTD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NCTD's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the NCTD's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of NCTD's financial statements that is more than inconsequential will not be prevented or detected by NCTD's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NCTD's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Directors  
of the North County Transit District  
Oceanside, California

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NCTD's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carson*

San Diego, California  
December 9, 2009



Caporicci & Larson  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER  
COMPLIANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
of the North County Transit District  
Oceanside, California

**Compliance**

We have audited the compliance of the North County Transit District (NCTD) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. NCTD's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of NCTD's management. Our responsibility is to express an opinion on NCTD's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCTD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of NCTD's compliance with those requirements.

In our opinion, NCTD complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of NCTD is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NCTD's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NCTD's internal control over compliance.

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To the Board of Directors  
of the North County Transit District  
Oceanside, California  
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A *control deficiency* in an NCTD's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the NCTD's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the NCTD's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the NCTD's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of NCTD as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise NCTD's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carson*

San Diego, California  
December 9, 2009

**North County Transit District**  
**Single Audit Report**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2009**

| Federal Grantor/Pass-Through Grantor<br>Program Title         | Federal<br>CFDA<br>Number | Agency or<br>Pass-Through<br>Number | Federal<br>Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| <b><u>U.S. Department of Transportation</u></b>               |                           |                                     |                         |
| <i>Direct Programs:</i>                                       |                           |                                     |                         |
| Federal Transit Formula Grants - ARRA Urban Area Formula 5307 | 20.507*                   | CA-96-X016                          | \$ 1,435,454            |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y705                          | 10,169,186              |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-X877                          | 2,536                   |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-X913                          | 12,461                  |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-X993                          | 1,574                   |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y043                          | 124,973                 |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y099                          | 234,377                 |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y175                          | 422,905                 |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y243                          | 36,785                  |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y345                          | 445,491                 |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y467                          | 714,853                 |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y556                          | 816,912                 |
| Federal Transit Formula Grants - Urban Area Formula 5307      | 20.507*                   | CA-90-Y632                          | 1,376,486               |
| Federal Transit Formula Grants - CMAQ Operating               | 20.507*                   | CA-95-X073                          | 5,500,000               |
| Federal Transit Formula Grants - CMAQ Capital                 | 20.507*                   | CA-95-0002                          | 259,852                 |
| Total Federal Transit Formula Grants                          |                           |                                     | 21,553,845              |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-03-0621                          | 36,309                  |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-03-0718                          | 129,465                 |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-04-0096                          | 75,126                  |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-05-0202                          | 656,208                 |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-05-0230                          | 1,152,009               |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-05-0237                          | 3,880,875               |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-03-0728                          | 104,027                 |
| Federal Transit Capital Investment Grants - Section 5309      | 20.500*                   | CA-03-0528                          | 8,550                   |
| Total Transit Capital Investment Grants                       |                           |                                     | 6,042,569               |
| Job Access Reverse Commute - Section 5316                     | 20.516                    | CA-37-X078                          | 5,305                   |
| Job Access Reverse Commute - Section 5316                     | 20.516                    | CA-37-X091                          | 105,270                 |
| Total Job Access Reverse Commute                              |                           |                                     | 110,575                 |
| New Freedom Program   | 20.521                    | CA-57-0007                          | 3,825                   |
| New Freedom Program   | 20.521                    | CA-57-X018                          | 23,622                  |
| New Freedom Program   | 20.521                    | CA-57-X033                          | 21,403                  |
| Total New Freedom Program                                     |                           |                                     | 48,850                  |
| Total U.S. Department of Transportation                       |                           |                                     | 27,755,839              |
| <b><u>FEMA</u></b>  |                           |                                     |                         |
| <i>Passed Through from the State of California:</i>           |                           |                                     |                         |
| Disaster Grant Public Assistance - January 2005 Winter Storms | 97.036                    | 1577                                | 4,698                   |
| Total FEMA  |                           |                                     | 4,698                   |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                   |                           |                                     | <b>\$ 27,760,537</b>    |

\* Denotes major program

**North County Transit District**  
**Single Audit Report**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The North San Diego County Transit Development Board was created on by an act of the California State Legislature in 1975 and commenced operations during 1976 as a special district to plan, construct and operate, directly or indirectly, public transit systems in the Northern part of San Diego County. Under AB 1238, the North San Diego County Transit Development Board's name was changed to North County Transit District (NCTD). The NCTD governing board (Board) consists of 9 members, including one member from each of the City Councils of Carlsbad, Del Mar, Encinitas, Escondido, Oceanside, San Marcos, Solana Beach and Vista and one member from the San Diego County Board of Supervisors.

**B. Basis of Accounting**

NCTD is accounted for as a Business-Type Activity, as defined by *Governmental Accounting Standards Board (GASB) Statement No. 34*. NCTD utilizes the accrual method of accounting to prepare its basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

**C. Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of NCTD. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through State of California, County of San Diego, and the San Diego Association of Governments (SANDAG), is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of NCTD.

**D. Medical Assistance Program (MAA) - CFDA #93.778**

Medical Assistance Program (MAA) is a formula grant which provides payments for medical assistance to low-income people who are 65 years of age or older, blind, disabled, or members of families with dependent children or qualified pregnant women or children. NCTD entered into an agreement with the San Diego Health and Human Services Agency (County) to assist in the proper and efficient administration of the MAA program by improving the availability and accessibility to Medi-Cal services for Medi-Cal eligible and potentially eligible individuals and their families.

NCTD provides non-emergency, non-medical transportation for Medi-Cal eligible individuals to Medi-Cal covered services within San Diego County using the subcontractor Laidlaw Transit Service.

The following are methods used to determine time and costs:

- Medi-Cal eligibility: Laidlaw records client trips using a computer-aided reservation and dispatch system. Post-trip editing of the data system ensures accurate recording of actual trips carried, times, miles, fares paid, etc.



# North County Transit District

## Single Audit Report

### Notes to Schedule of Expenditures of Federal Awards, Continued

For the year ended June 30, 2009

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### *D. Medical Assistance Program (MAA) - CFDA #93.778, Continued*

- Determining trips made by Medi-Cal eligible clients for Medi-Cal purposes:
  - a. At the end of the month, Laidlaw queries the database for all trips taken by Medi-Cal eligible persons during the month.
  - b. The Americans with Disabilities Act does not obligate claimants to supply the purpose of their trips. The purpose is determined by the trip destination. The report obtained in *step a* is matched against addresses of current Medi-Cal providers in San Diego County by means of a list provided by the State on a quarterly basis.
- Determining trip cost: NCTD receives bills monthly for transportation services provided. A quarterly trip rate is established by taking gross contract costs for the quarter minus passenger fares collected that quarter divided by the total number of trips carried in the quarter.
- Determining the Medi-Cal claim amount: Claim is based on the number of Medi-Cal eligible individuals' trips to a location that is the address of a Medi-Cal provider during a given quarter multiplied by the average per trip cost. These eligible non-emergency, non-medical transportation costs are claimed as a direct charge at the 50% match rate (FFP), less a 7% administrative fee paid to the County, based on itemized trip reports submitted by Laidlaw.

##### Reimbursement process:

NCTD Project Accountant prepares a MAA claim quarterly and submits it to the Accessible Services Administrator. Accessible Services Administrator reviews, signs, and submits the claim to the County. Reimbursement payments could take up to 18 months since the County waits for the State to verify and approve the claim. NCTD is not guaranteed to be reimbursed with the amount in the claim submitted to the County.

##### Eligibility testing was unable to be performed due to the following:

- Laidlaw does not verify if the riders are Medi-Cal eligible and is not obligated to ask for the Medi-Cal numbers.
- Reports submitted by Laidlaw are determined by trip destination and not by Medi-Cal eligibility.
- Laidlaw outsources the application process.

MAA expenditure amount was not included in the accompanying Schedule of Expenditures of Federal Awards because the amount provided by NCTD was expenditures for FY 2008. NCTD submitted claims to the County quarterly during the FY 2008 but the payments were not received until October 2009.

The program incurred expenditures in FY 2009, however NCTD decided not to include the MAA expenditures in the schedule because NCTD was uncertain of the amount of the expenditures which were eligible under the program and when the State would reimburse.

**North County Transit District**  
**Single Audit Report**  
**Notes to Schedule of Expenditures of Federal Awards, Continued**  
**For the year ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***D. Medical Assistance Program (MAA) - CFDA #93.778, Continued***

During the current year, the County audited the MAA program. The audit included an on-site evaluation of the MAA audit file, a review of the Claim Plan, and an interview with the Coordinator. The purpose of the audit was to review the systems of documentation and to evaluate compliance with the State and Federal MAA documentation requirements. There were no findings, however, it was recommended to continue NCTD's efforts to identify Medi-Cal recipients and maintain those Medi-Cal numbers in the trip database.

The following is NCTD's response to the County's recommendations:

- NCTD sent a letter to all of the individuals certified to use the paratransit service requesting an update of pertinent information, including Medi-Cal numbers.
- A Medi-Cal number is being requested on all new applications, as of July 1, 2009, and a report will be generated every 6 months to gather the data and input it into the trip database.

The County reviewed and accepted the response to the recommendations.

**North County Transit District**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2009**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expressed an unqualified opinion on the basic financial statements of the North County Transit District (NCTD).
2. No significant deficiencies relating to the audit of the basic financial statements were reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of NCTD were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for NCTD expressed an unqualified opinion.
6. Audit findings relative to the major federal award programs for NCTD were reported in Part C of this Schedule.
7. The programs tested as major programs include:

| <u>Major Program</u>                               | <u>Expenditures</u>  |
|--|----------------------|
| Federal Transit Formula Grants                     | \$ 21,553,845        |
| Federal Transit Capital Investment Grant           | 6,042,569            |
| <b>Total Major Program Expenditures</b>            | <b>\$ 27,596,414</b> |
| <b>Total Federal Award Expenditures</b>            | <b>\$ 27,760,537</b> |
| <b>Percent of Total Federal Award Expenditures</b> | <b>99%</b>           |

8. The threshold for distinguishing Types A and B programs was \$832,816.
9. NCTD was determined to be a low risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No findings were noted in the financial statements audit.

**C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs were noted on the major federal award programs for the year ended June 30, 2009.

**D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs were noted on the major federal award programs for the year ended June 30, 2008.